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SUBJECT: SEOUL - PRESS BULLETIN; June 12, 2009

TOP HEADLINES

Chosun Ilbo, Hankyoreh Shinmun, Segye Ilbo, Seoul Shinmun, All TVs
[1](#)N. Korea Wants Wages in Kaesong Quadrupled

JoongAng Ilbo
Wednesday's Commemoration Rally Fizzles Out, Despite Concerns;
Police Estimate Participants at 20,000, Much Fewer Than Organizers
Expected, and No Major Clashes Occur between Protesters and Police

Dong-a Ilbo, Hankook Ilbo
[1](#)N. Korea Demands Four-fold Increase in Wages and 31-Fold Increase in
Land Use Fees

DOMESTIC DEVELOPMENTS

North Korea, during yesterday's second inter-Korean talks at the
Kaesong Industrial Complex in the North, demanded that the ROK raise
the monthly wage for North Korean workers to \$300, a four-fold
increase from the current \$75, and pay \$500 million for the use of
land at the complex. The North also called for wage increases of 10
to 20 percent a year. (All)

The ROK, meanwhile, called for the North to release an ROK worker
detained in the country and to grant a meeting with him, but the
North rejected the request. (All)

The two Koreas will meet again on June 19 for further discussions.
(All)

Kim Young-tak, a senior Unification Ministry official in charge of
the inter-Korean talks, was quoted as saying after returning from
Kaesong: "I expect the two sides to reach a compromise after
extended negotiations. North Korea repeatedly expressed its
willingness to develop the industrial complex during the talks."
(All)

INTERNATIONAL NEWS

Kurt Campbell, the Assistant Secretary of State for East Asian and

Pacific Affairs-designate, in a June 10 Senate confirmation hearing, said that the U.S. is ready for negotiations with North Korea.
(Hankyoreh)

MEDIA ANALYSIS

1N. Korea

- UNSC Resolution

Commentary continues to flow in the wake of the UN Security Council (UNSC)'s agreement on a new resolution against North Korea.

Right-of-center JoongAng Ilbo's Senior Columnist Kim Young-hie opined: "International society's sanctions on North Korea will operate fairly well in general. Dangers arise only when the sanctions and the ROK's hard-line stance anger North Korea to the extent that it explodes. In that case, the ROK will be the first outlet for the North's rage. ... Sanctions are tools, not goals. Sanctions against North Korea have the effect of isolating the communist state. We must not forget the paradox that as North Korea becomes more isolated, its missiles will become more numerous and sophisticated."

Moderate Hankook Ilbo editorialized: "The main issue is the degree to which North Korea will resist (the UN sanctions.) North Korea has long declared that it would consider cargo inspections on the

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high seas an act of war. Observers say, however, that chances are low that sanctions would immediately lead to naval armed clashes. ... Given that the U.S., conscious of China's concerns, agreed in a compromise agreement to stop short of making the high seas inspections of North Korean ships mandatory, the U.S. is expected to avoid military action. In this regard ... the UNSC resolution seems to be more like a political message urging the North to change its attitude."

Left-leaning Hankyoreh Shinmun's editorial argued: "As outside pressure becomes harsher, North Korea will put greater efforts into developing nuclear weapons... This is why we should put greater emphasis on creating an atmosphere conducive to getting North Korea to give up its nuclear ambitions. In particular, the U.S., which holds the key in negotiations with North Korea, should establish a framework to fundamentally resolve the nuclear issue. UN sanctions are meaningful only when they are used as the groundwork to resolve the nuclear issue."

- Inter-Korean Talks on Kaesong Industrial Complex

All ROK media gave top play to North Korea's demand yesterday that the ROK raise the monthly wage for North Korean workers to \$300, a fourfold increase from the current \$75, and pay \$500 million for the use of land at the complex.

The ROK media also noted the North's demand for wage increases of 10 to 20 percent a year, reporting that under current agreements, wages cannot be raised by more than 5 percent annually.

Most ROK media, citing ROKG officials and local experts, viewed this "unacceptable" North Korean demand as a bargaining chip for future negotiations. Kim Young-tak, a senior Unification Ministry official in charge of the inter-Korean talks, was widely quoted as saying after returning from Kaesong: "I expect the two sides to reach a compromise after extended negotiations. North Korea repeatedly expressed its willingness to develop the industrial complex during the talks."

The two Koreas agreed to meet again on June 19 for further discussions, according to media reports.

Newspapers carried the following headlines: "North Korea Demands Four-fold Increase in Wages and 31-fold Increase in Land Use Fees..."

Companies: 'It Amounts to Telling Us to Leave'" (conservative Chosun Ilbo, right-of-center JoongAng Ilbo); "N. Korea Makes Unacceptable Demands... Kaesong Industrial Complex on the Verge of Collapse" (moderate Hankook Ilbo); and "North Korea's 'High-stakes Betting'... ROKG Views It as Designed for Future Negotiations" (left-leaning Hankyoreh Shinmun)

Conservative Chosun Ilbo editorialized: "Increases in wages and land use fees should not be discussed without resolving the issue of a guarantee for the safety of ROK workers at the Kaesong Industrial Complex. ... Furthermore, the wage hike demand presented by the North ... is exorbitant."

Conservative Dong-a Ilbo's editorial argued: "If Seoul accepts Pyongyang's wage demand of \$300, all ROK companies in the complex will be forced out. One entrepreneur has decided to withdraw from the complex because of losses and fears over employee safety. ... Seoul must reject this 'outrageous' bill from Pyongyang and make the North clearly realize that unless the detained ROK worker is released, (South Korea) will not engage in negotiations. ... The UN Security Council is responding to North Korea's nuclear and missile provocations with a strong resolution. This is not the time to give a raise to North Korean workers ... and grant \$500 million in additional rent."

Right-of-center JoongAng Ilbo's editorial echoed Dong-a's views, saying: "The aim (of the UNSC financial sanctions against North Korea) is to cut off as much cash flow to the North as possible. In this situation ... North Korea's demand is surely unacceptable for

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the ROK, which should join in the UNSC sanctions against North Korea."

OPINIONS/EDITORIALS

DON'T SUCCUM TO N. KOREA'S DEMANDS
(Dong-a Ilbo, June 12, 2009, page 31)

The reason why North Korea began complaining over the Kaesong industrial complex last year is now clear. The North yesterday demanded that monthly wages for North Korean employees at the complex be raised from an average 75 dollars to 300 dollars, and an additional 500 million dollars for rental of the property.

Money is the reason behind the North's offensive that started in March last year, with the expulsion of 11 ROK officials at the Inter-Korean Exchanges and Cooperation Consultation Office. As part of its scheme, Pyongyang has detained a Hyundai Asan Corp. employee for 75 days. This is tantamount to holding a hostage for an outrageous ransom.

As in the first working-level meeting between the Koreas May 21, the North yesterday talked only about money, ignoring the plight of the detained employee. This is the real face of the North, which refers to "our people" whenever it wages an offensive against the ROK. Pyongyang's behavior is unacceptable even from a humanitarian perspective.

The Kaesong complex has begun to collapse due to the North's continued offensive. A fur company Monday announced plans to leave the complex, a first among ROK enterprises there. Their exports in the first four months of the year fell 56.1 percent year-on-year, and production decreased 6.6 percent. The number of employees in the complex has dropped 43 percent over the last three months.

Researcher Cho Bong-hyeon of IBK Economic Research Institute in Seoul warned that if the North asks for an average salary of 200 dollars per month in the complex, an amount equivalent to that of China, only three of some 100 companies in the complex can survive. If the North seeks 150 dollars, around 30 companies can continue there. If Seoul accepts Pyongyang's wage demand of 300 dollars, all ROK companies in the complex will be forced out.

One entrepreneur has decided to withdraw from the complex because of losses and fears over employee safety. If the detained employee is

not released and the North does not promise to detain ROK staff again, jitters will remain at ROK companies in the complex.

Seoul must reject this "outrageous" bill from Pyongyang. The ROK must make the North clearly realize that unless the detained ROK worker is released, (South Korea) will not engage in negotiations. Seoul said, "The detention of the employee is the essence of the issue related to the Kaesong Industrial Complex," so it could make this a precondition for resuming inter-Korean talks June 19.

The U.N. Security Council is responding to North Korea's nuclear and missile provocations with a strong resolution. This is not the time to give a raise to North Korean workers as the North demands, and grant 500 million dollars in additional rent. (This is a translation provided by the newspaper, and it is identical to the Korean version.)

COOL HEADS VITAL IN FACING THE NORTH
(JoongAng Ilbo, June 12, 2009, page 39)

By Senior columnist Kim Young-hie

As we fight, we must remember that we are the first outlet for North Korea's anger should it decide to take military action.

One feels terrible when his brother is criticized by others or beaten up. When one receives criticism and beatings along with his brother, it is even worse. But if one's brother breaks the rules of

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decency in the community, one feels obligated to join the mob and condemn his brother.

The United Nations Security Council has decided to adopt a resolution to put pressure on North Korea, which has conducted two nuclear tests and launched missiles like a kid playing with fireworks, threatening the peace of the neighborhood. While we welcome the move by the Security Council, we do so with a heavy heart.

The United States and Japan drew up a draft, the ROK supported it fully and China and Russia weakened it a little because of their traditionally close relations with North Korea. The resolution is so powerful that we cannot possibly hope for more under the current circumstances. If UN members faithfully abide by the resolution, North Korea will lose nearly all of the channels it uses to get cash from outside the country. If the communist country cannot engage in financial transactions it cannot export weapons, the country's thin lifeline, and that will make it difficult for the country to earn vital dollars.

According to the resolution, a vessel suspected of containing North Korean weapons may be inspected on the high seas when the government of the country to which the vessel belongs issues a permit to do so.

Because of China's stubbornness due to its long-standing friendly ties with North Korea, the word "decide" has been toned down and has been changed to "call on." But really, how many countries would refuse to cooperate with inspections for any reason other than to become a nuisance to the United States? The biggest merit of the UN resolution is that it has all the force of international law, citing Article 41 of Chapter XII of the Charter of the United Nations.

What is worrisome is North Korea's possible resistance once the resolution is adopted. Within days, something else could arise to aggravate North Korea further. At a summit meeting between Seoul and Washington scheduled for June 16, the United States will reaffirm its nuclear umbrella for the ROK. The Rodong Sinmun, the North Korean state-run daily, warned on June 8 that if the United States were to offer its nuclear umbrella to the ROK in writing, the danger of nuclear war would increase accordingly.

The background to the North Korea issue, including the country's nuclear tests, has changed. Once the UN resolution is adopted,

North Korea is likely to cling to its current policy against efforts to get it to denuclearize. Meanwhile, the ROK has declared its participation in the Proliferation Security Initiative.

Although it is more of a symbolic move, the ROK has decided to impose sanctions on three North Korean weapons exporters and has reported the decision to the UN Security Council Sanctions Committee. These moves are powerful enough to make North Korea tremble in fear.

International society's sanctions on North Korea will operate fairly well in general. Dangers arise only when the sanctions and the ROK's hard-line stance anger North Korea to the extent that it explodes. In that case, the ROK will be the first outlet for the North's rage. There are plenty of ways for it to take out its rage over the sanctions on us, such as making threats toward the Kaesong Industrial Complex and along the truce line in the Yellow Sea.

The defense minister of the ROK said that once North Korea attacks the ROK, the latter will attack the North in return, in accordance with the rules of engagement. His words are not prudent. What if North Korea attacks a vessel in the Yellow Sea with guns on the shore? If we do as the defense minister says, our vessel would need to mount an attack on North Korean territory. That scenario is too appalling even to think about.

While leading the call for a UN resolution, the U.S. sent messages through Stephen Bosworth, the special representative for North Korea policy, that the door to dialogue with North Korea was open.

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Dialogue between Washington and Pyongyang may start with negotiations over the release of two female American journalists detained by the North.

We need to set clear objectives to prevent physical clashes, maintain the Kaesong Industrial Complex and tourism on Mount Kumgang and resume dialogue between the authorities of the ROK and North Korea. Bearing these goals in mind, we need to restrain ourselves from using provocative words unless it is absolutely necessary. Cooling periods and explicit incentives are vital, not for the grand goals of reunification or peace in Northeast Asia, but for the urgent objective of preventing another war.

Sanctions are tools, not goals. Sanctions against North Korea have the effect of isolating the communist nation. We must not forget the paradox that as North Korea becomes more isolated, its missiles will become more numerous and sophisticated.

(This is a translation provided by the newspaper, and it is identical to the Korean version.)

CAN THE KAESONG COMPLEX SURVIVE?
(Chosun Ilbo, June 12, 2009, page 31)

North Korea is demanding that the ROK pay North Korean workers at the Kaesong Industrial Complex US\$300 a month and is asking for an additional \$500 million for the land lease, but it is refusing to discuss the fate of the Hyundai Asan worker who had been held captive for 74 days.

Following the arrest and detention of the man, known only by his family name Yoo, the security of ROK workers at the complex has emerged as the top priority for the businesses operating there. But North Korean officials will not address this issue and are simply demanding more money, making it impossible to engage in constructive negotiations.

The safety of ROK staff at the Kaesong complex is guaranteed in an agreement which the two Koreas signed in January 2004. But North Korea is treating that agreement like a piece of trash as it continues to detain Yoo. Article 10, Clause 3 of the agreement stipulates that North Korean authorities will respect the basic rights of an ROK employee undergoing investigation, and it is common practice for a suspect to be appointed a lawyer and be given

visiting rights. But the North is ignoring this internationally recognized procedure. If even the basic agreement cannot be observed, the 600 to 800 ROK people in Kaesong are virtual hostages.

The government should put top priority on securing Yoo's release and looking for concrete ways to strengthen Article 10. According to the agreement, North Korea and ROK officials are to form a joint committee to deal with problems involved in Article 12, Clause 2, governing entry and sojourn. But a joint committee has yet to be formed. This needs to happen as soon as possible.

The issue of wages and lease can be discussed once the safety of ROK workers is assured or at the same time as the safety issue. But increases in wages and land use fees should not be discussed without resolving the issue of a guarantee for the safety of ROK workers at the Kaesong Industrial Complex. Furthermore, the wage hike demand presented by the North, which is four times more than the present rate, is exorbitant, even if it may have been exaggerated to get the most out of the negotiations. The ROK has already paid \$16 million to use 3.3 million sq. m of land for 50 years according to the 2004 agreement. North Korea's demand for a 31-fold increase is unacceptable.

North Korea's true intentions will come to light in further negotiations. But by scrapping the existing agreement altogether, North Korea seems to be demonstrating that it is unwilling to continue with the project. The ROKG should focus on the next round of talks next Friday, and be prepared to pull out of the Kaesong

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Industrial Complex if talks fail.

(This is a translation provided by the newspaper, and it is identical to the Korean version.)

SANCTIONS CANNOT SUBSTITUTE FOR RESOLUTION OF THE N. KOREA NUCLEAR ISSUE

(Hankyoreh Shinmun, June 12, 2009, page 23)

The five permanent members of the United Nations Security Council (UNSC) and representatives from the ROK and Japan have agreed to a draft resolution regarding sanctions on North Korea. It currently contains tough provisions, including an expansion of the arms export ban, an expansion of financial sanctions, and authorizes searches of ships on the high seas suspected of carrying contraband cargo.

The fact that the draft took two and half weeks from the time of North Korea's second nuclear test shows that the process did not go smoothly. In particular, China and Russia worked hard to lower the level of sanctions and soften the language. Despite this, the agreement for stronger provisions than those in Resolution 1718, adopted after North Korea's first nuclear test in October 2006, was due to a strong international consensus of concern about North Korea's unilateral behavior. If these sanctions are properly carried out, it would be impossible for North Korea not to feel considerable pressure.

North Korea must seriously consider the significance contained in the resolution soon to be adopted. North Korea has been diverting the blame for the arbitrary measures it has taken over the last several months in order to increase the potential threat to world security. This attitude, ultimately, will not win the support of the international community. If North Korea continues to stubbornly pursue its own path, its conflict with the international community, too, will only intensify. North Korea has pledged that it would respond to UNSC sanctions with long range missile tests and uranium enrichment. This is not an advisable move for North Korea.

Concerned countries, too, must break from the sole focus on sanctions. North Korea's nuclear test was largely about securing the regime by boosting its nuclear capacity and strengthening its bargaining power with the outside. As outside pressure becomes harsher, North Korea will put greater efforts into developing nuclear weapons. Unless this vicious cycle that has repeated itself

for the last 20 years is broken, the North Korean nuclear issue will not be resolved. This is why we should put greater emphasis on creating an atmosphere conducive to getting North Korea to give up its nuclear ambitions. In particular, the U.S., which holds the key in negotiations with North Korea, should establish a framework to fundamentally resolve the nuclear issue. UN sanctions are meaningful only when they are used as the groundwork to resolve the nuclear issue.

The ROKG has shown a preference for strengthening sanctions on North Korea and, in the process, inter-Korean relations have deteriorated to their lowest point. In order to make progress towards a resolution of the nuclear issue, the government must change its attitude. Issuing a response for the sake of responding without a long view towards resolution will only cause both the nuclear issue and inter-Korean relations to become worse.

(This is a translation provided by the newspaper, and it is identical to the Korean version.)

OUTRAGEOUS N. KOREAN DEMANDS
(JoongAng Ilbo, June 12, 2009, Page 38)

During yesterday's second round of inter-Korean talks at the Kaesong Industrial Complex, North Korea demanded that the ROK raise the monthly wage for North Korean workers to \$300, a four-fold increase from the current \$75. North Korea also called for the ROK to pay \$500 million for the use of land at the complex, which is a 31-fold

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increase from \$16,000,000. This is such an outrageous demand. We are very concerned about North Korea's motive for making this unacceptable and preposterous demand.

ROK companies have invested in the Kaesong Industrial Complex due to (the potential for) economic benefits despite political instability in North Korea, not for charity purposes. The minimum wage for North Korean workers at Kaesong was initially set at \$50 a month but has been increased twice so far to \$55.125. This amount, when combined with social insurance fees, stands at \$70 and is, in fact, still cheaper than the monthly wage of \$120 to \$150 in China or Vietnam. Therefore, it may be reasonable to increase the monthly wage for North Korean workers to some extent. However, the North's sudden demand for a four-fold increase in wages is like telling ROK companies to quit their businesses. Few ROK companies would survive in the Kaesong Industrial Complex if they had to pay a monthly wage of \$300 to workers. One of the key points in the UN Security Council's resolution sanctioning North Korea over its additional nuclear test is financial sanctions. The aim (of the UNSC financial sanctions against North Korea) is to cut off as much cash flow to the North as possible. In this situation, North Korea is calling on the ROK to pay land use fees of \$500 million and to adjust the salaries upwards significantly. North Korea's demand is surely unacceptable for the ROK, which should join in the UNSC sanctions against North Korea.

It is frustrating that North Korea is making an absurd demand without even mentioning an ROK's Hyundai Asan employee who has been detained for 75 days. Negotiations do not work one-sidedly and any results may not be produced until the end of extended negotiations. However, if North Korea insists on this (outrageous) demand, there is a high possibility that the Kaesong Industrial Complex will be closed. The ROKG should propose an appropriate amount in the next-round of inter-Korean talks scheduled for June 19 after consultation with companies operating in the complex in order to reach a compromise. However strained the inter-Korean relations have been, it is mutually beneficial for both Koreas to keep the Kaesong Industrial Complex in place.

NORTH KOREA SHOULD ACCURAGELY READ UNSC'S INTENTION IN ADOPTING
TOUGHER RESOLUTION
(Hankook Ilbo, June 12, 2009, Page 35)

The UN Security Council (UNSC) will adopt a resolution imposing

sanctions against North Korea as early as today. The resolution, which was adopted by the five permanent members of the UNSC plus the ROK and Japan the day before yesterday after intense negotiations over sanctions against North Korea after its second nuclear test, contains an unprecedentedly strong message urging North Korea to abandon its nuclear programs. Under the resolution, provisions for cargo inspections, arms embargoes and financial sanctions, in particular, are more expansive than the provisions in the previous resolution, which was adopted after North Korea's first nuclear test. Although (the adoption of the resolution) may arouse Pyongyang's vehement resistance and heighten tension, we expect it to lead to the North abandoning its nuclear programs in the end.

The key provision in the resolution calls upon UN member states to inspect North Korean vessels or airplanes at their ports or airports whenever cargos en route to or from North Korea are suspected of carrying banned weapons, including weapons of mass destruction (WMD). Shipments on the high seas may also be inspected with the consent of the flag state (the country in which a ship is registered). The embargo was also expanded to include a ban on all weapons except for small arms. In addition, all financial transactions related to development of WMD are banned.

This toughening of measures is focused on preventing North Korea from exporting weapons, a major source of foreign currency for Pyongyang. In other words, it is designed to pressure the North by tightening the flow of money to the communist state. This is also why (the UNSC) has expanded its ban on financial transactions with waivers for humanitarian aims. The U.S., which led the efforts to

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impose strong sanctions, believes that those sanctions are expected to deal a serious blow to North Korea.

The main issue is the degree to which North Korea will resist (the UN sanctions.) North Korea has long declared that it would consider cargo inspections on the high seas an act of war. Observers say, however, that the chances are low that sanctions would immediately lead to naval armed clashes. Given the fact that the U.S., conscious of China's concerns, agreed in a compromise agreement to stop short of making the high seas inspections of North Korean ships mandatory, the U.S. is expected to avoid military action.

In this regard, as it was previously, the UNSC resolution seems to be more like a political message urging North Korea to change its attitude. As of now, it appears that North Korea has no choice but to listen carefully to this message.

STEPHENS